

Message Text

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43

ACTION ARA-10

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-02 SS-15

STR-04 OMB-01 CEA-01 CIAE-00 COME-00 FRB-01 INR-07

NSAE-00 USIA-15 XMB-04 OPIC-06 LAB-04 SIL-01 L-03 H-02

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FM AMEMBASSY MEXICO

TO SECSTATE WASHDC 7494

INFO TREASURY WASHDC

UNCLAS MEXICO 7356

E.O. 11652: N/A

TAGS: EFIN MX

SUBJ: PRESIDENT COMMENTS ON EXCHANGE RATE.

REF: MEXICO 7303 AND 7305.

1. PRESIDENT ECHEVERRIA ENTERED DISCUSSION ON EXCHANGE RATE BY SAYING IN PORT OF SPAIN ON AUGUST 16, "I PERSIST IN THAT WHICH I WAS SAYING ONE YEAR AGO; ONE CAN DEVALUE THE DOLLAR, THE PESO, NO. I CONTINUE THINKING THE SAME." PRESIDENT ALSO SAID THAT DEVALUATION RUMORS WERE COMMON PRIOR TO HOLY WEEK (WHEN LAST DEVALUATION TOOK PLACE) BUT THEY NOW SEEM TO OCCUR PRIOR TO INFORME.

2. TREASURY SECRETARY LOPEZ PORTILLO DEFENDED PRESENT PARITY ONCE AGAIN MAKING FOLLOWING POINTS; PRIMARY RESERVES ARE \$1.5 MILLION AND THERE IS \$1.6 BILLION IN ADDITIONAL RESOURCES AVAILABLE FROM IMF, U.S. TREASURY AND NEW YORK FED. PUBLIC SPENDING INCREASES HAVE BEEN GEARED TO INCREASE OUTPUT. INDICES OF INFLATION ARE DECLINING; CONSUMER PRICE INDEX UP ONLY 0.0 PERCENT IN JULY. TRADE BALANCE HAS PASSED THE MOST DIFFICULT PERIOD AND EXPORTS ARE BEGINNING TO PICK UP. THERE ARE SIGNS THAT INDUSTRIAL

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AND AGRICULTURAL PRODUCTION ARE INCREASING. FOREIGN

CREDIT HAS BEEN WISELY USED. HE ALSO CHARACTERIZED MEXICO'S
PROBLEMS AS SHORT-TERM IN NATURE, AND SAID THAT THEY
WILL BE RESOLVED OVER THE MEDIUM TERM.
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Message Attributes

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